

SACS ACCOUNTING COMMITTEE

Minutes

October 12,1999

- I. Progress on California School Accounting Manual Update:
 - A. Joanne Chini reported on the updates to Part I of the California School Accounting Manual (CSAM).
 - B. Attached is a narrative of the changes to Part II of the California School Accounting Manual.
- II. Accounting Issues
 - A. Special Education Accounting

Betty Richards of San Bernardino County Office of Education pointed out that the new *Education Code* Section 56195 requires that the SELPA budget be presented by object codes. She wondered if this were binding on the public presentation of the SELPA budgets. Betty gave us three examples of SELPA budgets: by object code, another by goal, and a third by function. The Committee believes that the language of the legislation is unfortunate and that the budgets by goal and by function may be of more interest to the public and to the Board of Education than the budget by object.
 - B. The Elimination of Function 9400 Retiree Benefits

Maria Fong explained that Function 9400 has never been in compliance with the federal school accounting guidelines and that the apparent overuse of this function by SACS users has suggested that it should be eliminated. It results in the true costs of operations being understated, the Other Outgo function overstated, and LEAs indirect cost rate impacted by this coding. Committee participants expressed how difficult it is to know what function a retired employee might have filled, and Maria said she would poll other states to see how they allocate their costs for retiree benefits. Meanwhile, if the true function of the retirees cannot be identified, it seems logical to allocate the costs based on the ratio of FTE between benefits in the current year. That solution would be more valid than coding the costs to a 9XXX function.
 - C. New Object Code for Mega-Item Transfers

New legislation has required that CDE report on the amount of mega-item transfers between resources. The current Object 8990 Contributions from Restricted Resources is used for all types of

transfers between resources, not just mega-item transfers. To enable CDE to report on the activity of LEAs between the mega-item resources, a new object code was discussed and the Object 8999 was proposed. This will not appear in the 1999 edition of the California School Accounting Manual (CSAM), but will be in the subsequent edition. The new object code will be added to the software matrix of valid combinations for those LEAs wishing to use it before the 2000-2001 year.

D. Proposed Higher Threshold for Capitalization

Julie Saylor presented a new proposal that the threshold of cost for capitalization of fixed assets be raised to \$5,000 in conformity with OMB Circular A-87 which states that “*equipment* means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals the lesser of (a) the capitalization level established by the governmental unit for financial statement purposes or (b) \$5,000.” Currently CSAM states that capitalization rules are determined by LEAs themselves. (This differs from *Education Code* Section 35168 that sets a \$500 level for inventorying equipment.) The rationale for increasing the cost threshold is to allow the purchase of classroom computers and other instructional technological apparatus with grants that otherwise restrict the use of funding for capitalization projects. During the discussion, the fact that a shift in expenditures from Object 6400 Equipment to Object 4300 Supplies would affect the ratio of teachers to other instructional expenses which currently exclude Object 6400. The pros and cons of this idea need to be addressed on a statewide level in committee with other agencies or program staff, and CDE is asking all SACS Committee participants to circulate the handout for future discussion. Please forward any responses to mpeek or mfong@cde.ca.gov.

E. Accounting for Charter Schools

CDE has not set up specific SACS coding for use by Charter Schools. However, a new object code for use by sponsoring districts has been included in the 1999 edition of CSAM per *Education Code* Section 47635: Object 7280 Transfer of In-lieu Property Tax to Charter Schools. CDE is meeting frequently to determine what requirements will be made of charter schools to report financial data, but as of yet, no definitive decision has been made.

F. Goal 7110 Nonagency-Educational

Further clarification was requested about the use of Goal 7110 Non-agency-Educational and Goal 7150 Nonagency-Other. The former is used when the contracting agency is an LEA. All other contracts would be coded to Goal 7150. Thus, services provided to a

community college or for a private school would be coded to Goal 7150, even though the services might be educational in nature.

G. Objects 9290/9590 Due To/From Other Governments

There is some inconvenience with coding amounts due back to grantor governments or to grantor governments with separate accounts other than vendor receivables or payables. However, they are required for the audited financial statements.

H. Automation of Form CAT (or J 390 for non-SACS users)

Richard Serich of Orange County and Betty Richards of San Bernardino County have been working independently on ways to automate completion of Form CAT. This would automatically calculate the amounts to accrue in Objects 9290 or 9590. This tool would be helpful for LEAs, but it is not necessary for CDE and therefore CDE has no current plans to add this programming to CDE software. We will keep this in mind as a future project.

I. Goal 8600 County Services to Districts and the Indirect Cost Rate Calculation.

Maria presented a change order to correct an inconsistency in the indirect cost calculation for county offices. The new calculation will not include Object 7310 and 7350 in the numerator or denominator for Other General Administration functions. This means that other general administration costs that are for services to districts must be directly charged to Goal 8600.

J. Gann Limit into SACS Software

The Accounting Committee participants inquired into when the Gann Limit Calculation will be programmed into the SACS financial reporting software. If this occurs, the software will provide a field for entering the amount paid to Medicare. The question was asked if the Gann calculation could consider other types of mandated coverage other than Medicare, such as Retirement In-lieu of OASDI.

K. Goal 0001 General Education Pre-K and Goal 8500 Child Care and Development Services.

The question of how to differentiate between these two goals was raised. Goal 0001 covers those programs that have educational components and require the teachers to possess instruction permits. This includes most of the major Child Development contracts issued by the Department of Education. Those programs designed for the care of children and do not require caretakers to have instructional permits are coded to Goal 8500.

III. GASB 34

A very superficial discussion of GASB 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments was held. How CDE and the State Controller's Office will require LEAs to implement this statement is under study. It is expected that a statewide committee involving CDE, SCO, the Department of Finance, the California Society of CPAs, and other interested parties must agree on how and when GASB 34 will be implemented. It is important that accountants and business officials from districts and county offices be involved in these discussions.

IV. Software Update

- A. Joanne Chini addressed the new transportation report that has been added to the SACS financial reporting software, the J141 and J141S.
- B. Maria Fong discussed the plans of CDE to include in the 1999/2000 unaudited software, a component for LEAs to report allocation factors such as FTEs and CUs to distribute support costs in Goal 0000 Undistributed to the appropriate goals.

CHANGES TO DEC 1999 CSAM, PART II

October 5, 1999

The new version of the California School Accounting Manual (CSAM), Part II will include the following changes:

FUND

- ❑ We added to the definition of Funds 21-50, the Capital Project funds: “Capital projects are coded to Function 8500, Facilities Acquisition and Construction. Instructional functions are not appropriate in capital project funds.”
- ❑ The description of expenditures in Fund 30, State School Building Lease-Purchase Fund now includes a line that “Resource 7128, Emergency Roof Replacement, may be deposited to and expended from Fund 30.
- ❑ There is a new fund, Fund 35, County School Facility Fund, to account for apportionments from the Office of Public School Construction for Prop 1A building and modernization projects.
- ❑ We clarified some points about Fund 40, Special Reserve Fund for Capital Outlay Projects. “Resource 6200, Class Size Reduction Facilities Funding, may be transferred from the General Fund to Fund 40 for construction projects.” A separate paragraph was added explaining that the expenditures in the Special Reserve for Capital Projects are really capital projects, and therefore the accumulated expenditures are to be capitalized. The appropriate function for salaries is Function 8500, Facilities Acquisition, and the general operational functions of the general fund are not appropriate to this fund.
- ❑ Fund 63, Other Enterprise Fund, only uses Function 6000, Enterprise. This fund is used for business activities that are self-supporting, not for services to students that are financed by state or federal educational dollars.
- ❑ Fund 67, Self-Insurance Fund, now references a new example in CSAM Part I, Procedure 902.
- ❑ Fund 71, Retiree Benefit Fund, no longer accepts expenditures coded to the 3XXX object codes. The actual charging of the cost of benefits is properly coded in the General Fund or other funds that incur the cost of salaries and benefit. The Retiree Benefit Fund expends out of Object 5800, Professional/Consulting Services and Operating Expenditures.

RESOURCE

The narrative concerning the Table of Resource Codes reflects the changes made to the table:

- ❑ The table now reflects how to account for carryover, using a D for deferred revenue or F for ending fund balance.
- ❑ The PCA numbers are no longer presented since the Query System is more current, the PCA numbers are listed in Appendix C, and reports are sent to the County Offices during the year.
- ❑ A list of the changes to the Resource Table is attached.

PROJECT YEAR

The description of the project year field has been expanded to include state projects as well as federal projects that have fiscal years other than the July-June fiscal year of LEAs.

GOAL

- ❑ The definition of Goal 3550, Community Day Schools, now includes use by county offices as well as school districts.
- ❑ Four new Special Education goals have replaced 26 goals used by the J50 funding model. A CSAM insert detailing these goals was sent to LEAs in April 1999.
 - Goal 5710, Special Education, Infant
 - Goal 5730, Special Education, Preschool Students
 - Goal 5750, Special Education, Age 5-22, Severely Disabled
 - Goal 5770, Special Education, Age 5-22, Nonseverely Disabled.
- ❑ Goal 5800, Handicapped Adults, was created to reflect a specific county office funding source. Since there are only four LEAs who use the money and who use it for different programs, this goal was omitted.

FUNCTION

- ❑ Formerly there was only one instructional function. Now functions are divided between those for other than special education and those for special education. Five new Special Education Instructional functions have been defined in the CSAM insert mailed to LEAs in April 1999.
 - Function 1110, Special Education: Separate Classes
 - Function 1120, Special Education: Resource Specialist Instruction
 - Function 1130, Special Education: Supplemental Aids and Services in Regular Classrooms
 - Function 1180, Special Education: Nonpublic Agencies/Schools (NPA/S)

- Function 1190, Special Education: Other Specialized Instructional Services
- ❑ Function 1000 Instruction is defined as Instruction for Other Than Special Education. A range from 1001 to 1099 for LEA has been reserved for LEA definition, to be rolled up to Function 1000.
 - ❑ The title of Function 2140 has been expanded to “In-House Instructional Staff Development” in a further attempt to clarify that this function is restricted to the cost of developing an in-house inservice for instructional employees. Generally the cost of substitutes or fees paid for classes follow the function of the employee in training.
 - ❑ Function 3160, Pupil Testing Services, has been expanded to clarify that the salaries of teachers who are giving standardized tests to students in the classroom is not recoded to a pupil service function. Rather, this function is used for the costs of those personnel hired to coordinate, administer, or interpret testing projects.
 - ❑ As a part of the changes for Special Education, Function 3170, Assessment Costs, was deleted.
 - ❑ Function 3600, Pupil Transportation now references the new example of accounting for transportation, Section 202.
 - ❑ Function 3700, Food Services, now references the new example of accounting for food services, Section 204. Also added is the sentence, “Function 6000, Enterprise, is used for a catering service.”
 - ❑ On page 80, there is additional explanation of the General Administration range of functions. “General Administration refers to districtwide or countywide administrative activities that are accounted for in the General Fund. Other funds may receive a proportionate share of these costs through an interfund transfer of indirect costs using Function 7200, General Administration. The optional administrative functions are not appropriate in funds other than the General Fund.” Again, on page 81, the explanation is repeated.
 - ❑ Function 7200, Other General Administration, includes “Expenditures, such as general liability insurance, coded to Function 7200 or 7600, Other General Administration, are included into the numerator of the indirect cost rate calculation.”
 - ❑ *Function 7500, Central Support (Optional)* has been reworded to read, “Activities, other than general administration, which support the instructional and supporting services programs. These activities include planning, research, development, evaluation, purchasing, distribution, and warehousing services for the LEA.”
 - ❑ *Function 9400, Retiree Benefits-Unspecified*, an optional function, was omitted. It was never in compliance with the federal accounting manual, and it was used

excessively, which understated the operational functions and overstated the “Other Outgo” function. Retiree Benefits should be coded to the appropriate function of the employee. If it is impossible to determine the proper function of employees retired in the past, an appropriate function should be chosen that reflects the most likely cost, such as an allocation based on existing FTE spread, and new retirees should be properly identified.

OBJECT

- ❑ A new object code, Object 7280, Transfer in Lieu of Property Tax to Charter Schools, was added. “Funds in lieu of property taxes transferred from the sponsoring LEA to the charter school per *Education Code* Section 47635.”
- ❑ Three object codes have been deleted.
 - Object 8030 Trailer Coach Fees are no longer collected or passed to schools.
 - Object 7641 Long-term Loan Repayment and Object 7649 Other Loan Repayment are redundant to Object 7639 Other Debt Service Payments and give no useful information to CDE. LEAs may continue to use those object codes, but they must roll up into Object 7639 for reporting to CDE.
- ❑ The title to Object 2400 is now Clerical, Technical, and Office Salaries. There were many questions about the proper coding of programmers and computer technical support, which are included in Object 2400.
- ❑ A sentence was added to Object 5400, Insurance: “Use Function 9000, Other Outgo (or the optional Function 9100, Debt Service) for bond insurance costs when issuing new bonds, a debt service fee.”
- ❑ Object 5500, Operations and Housekeeping Services is only used with the maintenance and operation functions, 8100-8500, or with Function 3700, Food Service, and Function 6000, Enterprise. When paying for the cleaning of uniforms, such as band uniforms or custodial uniforms, use the appropriate function and Object 5800, not Object 5500, which cannot be directly charged to other functions.
- ❑ An additional sentence was added to object 5700-5799, Direct Cost Transfers, contrasting these transfers to the transfers of direct support costs or indirect costs. When you use Object 5710 or 5750, you are transferring direct costs between functions, for example, the costs of a car pool from an M & O function to the user function. “Objects 7310 or 7350 are used to transfer direct support and indirect costs between goal, resources, and funds. The function, however, remains the same.” For example, the Function 7200 remains the same when indirect costs are transferred.
- ❑ In the description of Object 5800, Professional/Consulting Services and Operating Expenditures, the paragraph discussing the coding of the excess costs of a SELPA for regionalized services has been omitted.

- ❑ Note has been made to Objects 7141, 7142, and 7143 Other Tuition, Excess Costs, and/or Deficit Payments that the proper function is Function 9000, Other Outgo, or optionally, Function 9200, Transfers Between Agencies.
- ❑ A sentence has been added to the description of Objects 7600-7699, Other Financing Uses: "The following objects are used for the transfer of funds or expenditures for other than general operations. They are categorized as Function 9000, Other Outgo."
- ❑ The title of Object 8181 has been changed: "Special Education-Entitlement. Record the federal Individuals with Disabilities Education Act (IDEA) entitlement, which is deducted from the state apportionment for special education. See Resource 3310."
- ❑ Object 8545 has been extended to include the School Facilities Act of 1998 (*Education Code* sections 17070-17076), the Prop 1A money deposited to the new Fund 35.
- ❑ A sentence has been added to Object 8677, Interagency Services Between LEAs: "Expenditures made by an LEA to fulfil these contracts should be coded to Goal 7110, Nonagency-Educational.
- ❑ The definition of Object 8710, Tuition has been expanded: "...including transportation for interdistrict attendance agreement (IDAA) pupils (*Education Code* sections 46600-46611). See Object 8677, Interagency Services between LEAs for revenue from contracts for services provided for another LEA's pupils.

EXAMPLES

New examples of SACS coding have been added.

- ❑ Section 204 gives more detail to possible transactions in the cafeteria fund.
- ❑ Section 206 gives more detail on pass-through grants, specifically transactions surrounding Forest Reserve money.
- ❑ Section 209 is the Special Education examples sent out in April 1999 with the new Special Education goals and functions.
- ❑ Section 210 emphasizes the proper functions for staff development.
- ❑ Section 213 details transactions for Transportation. This section is important since the J141 fund is built into the SACS software.

INDIRECT COST RATE CALCULATION

As a result of eliminating Function 9400 Retiree Benefits, the lines in the base costs, denominator, for retiree benefits has also been eliminated.

PROGRAM COST ACCOUNTING

As a result of the new functions for Special Education, the Special Assessment Function has also been omitted.

APPENDIX A: ANALYSIS OF SALARIES

- ❑ Two errors were corrected:
 - The stipend for a department chairperson should be coded to Object 1300, Function 2700.
 - A custodian should be coded to Function 8100.
- ❑ Two items were added:
 - A Computer Lab Technician or a Data Processing Computer Operator should be coded to Object 2400, Clerical, Technical, and Office Salaries.

APPENDIX C: LIST OF PCAs.

The table of PCAs now includes the proper income account code for those who have not yet converted to SACS. It also includes the code for how to account for carryover: D for deferred revenue or F for fund balance.